



Hong Kong Banking Sector: 2012 Year-end Review and Priorities for 2013

**Hong Kong Monetary Authority
6 February 2013**



Performance of the banking sector in 2012 (1)

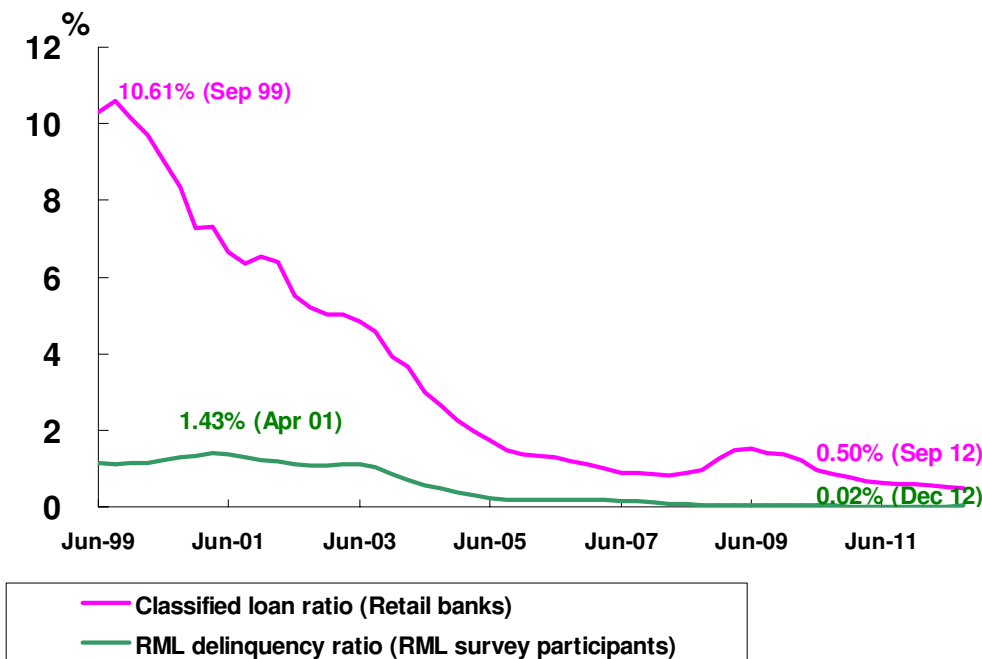
- Hong Kong's banking sector remained resilient
- Credit growth moderated,
while asset quality continued to be sound
- Profitability improved further
with growth in both interest & non-interest income
- Capital and liquidity positions remained sound



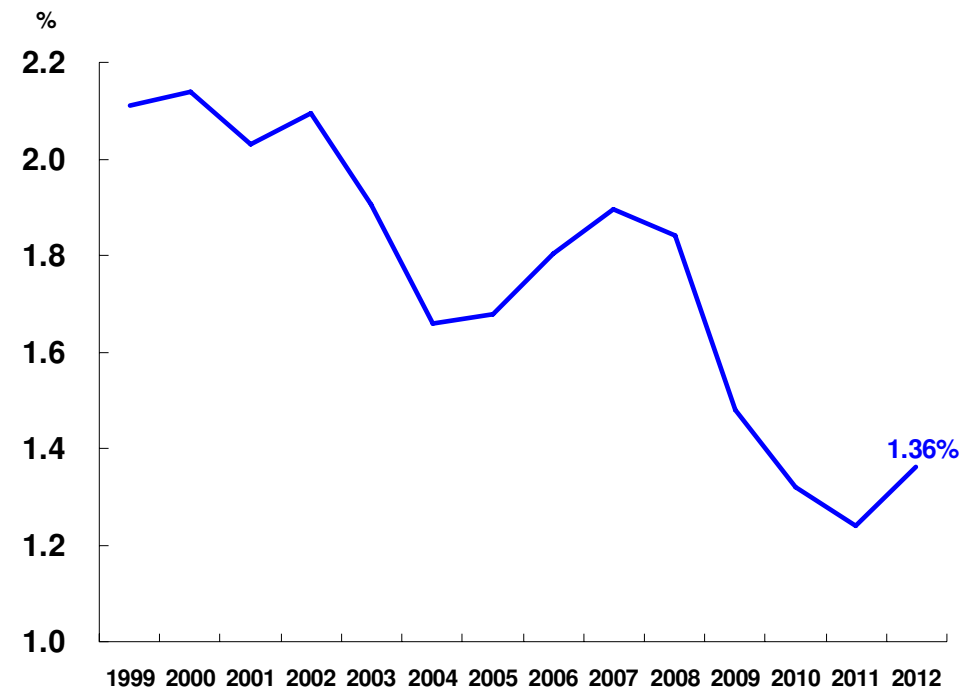
Performance of the banking sector in 2012 (2)

- Loans quality improved further
- Net interest margin rebounded

Loans quality indicators



Retail banks' net interest margin





Performance of the banking sector in 2012 (3)

<u>Other Indicators</u>	<u>2012</u>	<u>2011</u>
• Total loans	+9.6%	+20.2%
• Residential mortgage loans	+8.4%	+8.2%
• Non-bank China exposures	+13.0% (first 3Q)	+42.9%
• Total deposits	+9.3%	+10.6%
• Loan-to-deposit (L/D) ratio	67.1%	66.9%
• HK\$ L/D ratio	79.8%	84.5%
• CAR (locally incorporated AIs)	16.1% (Sep)	15.8%

Notes: Figures relate to all AIs unless otherwise stated.



Banking Supervision (1)

For 2012

- Prudential measures on residential mortgages
- RMB business development and supervision of Mainland-related business
- Moderated credit growth with sound asset quality
- Deleveraging of Eurozone banks continued, but impact not substantial



Banking Supervision (2)

Priorities for 2013

- Asset quality – residential mortgages
– Mainland-related exposures
- Liquidity – funding and liquidity risk management
- Capital – target CAR in preparation for Basel 3
– stress test



Banking Policy (1)

For 2012

- Basel 3 implementation
 - Banking (Amendment) Ordinance 2012
 - Banking (Capital) (Amendment) Rules 2012
 - Pillar 2 framework
- Regulatory regime for OTC derivatives market



Banking Policy (2)

Priorities for 2013

- Basel 3 implementation
 - Banking (Disclosure)(Amendment) Rules 2013
 - Capital buffers
 - D-SIB framework
 - Liquidity standards
- Regulatory regime for OTC derivatives market
- Recovery and Resolution Planning



Banking Conduct (1)

Key results in 2012

- Enhanced investor and consumer protection
- Governance enhancement : face-to-face meetings with Chief Executives and Directors of AIs



Banking Conduct (2)

Priorities for 2013

- Director development
- Monitoring market development and sale of popular investment products
- Enhancing regulatory requirements to sale of ILAS products
- Competency enhancement for private wealth management practitioners



Enforcement

For 2012

- Completed 1,530 cases on conduct, service quality / commercial dispute
- New enforcement regimes on AML and MPF intermediaries

Priorities for 2013

- Speedy handling of about 1,300 complaint cases
- Enforcement work relating to AML and MPF intermediaries
- Consumer education



Other issues (1)

Implementation of chip-based ATM technology

- To strengthen the security of ATM services by phases in 2013 to 2015 (i.e. chip-based ATM cards and terminals)
- Additional measures to protect ATM transactions outside HK
 - Activation of overseas cash withdrawal function
 - Activation period and a lower overseas withdrawal limit
- Citizens reminded to continue to keep ATM cards safe and protect PINs at all times
 - Covering keypad while entering PIN
 - Watching out for any irregularity when using ATMs
- Publicity program on TV and radio



Other issues (1)

Implementation of chip-based ATM technology (continued)

- [\[video clip\]](#)



Other issues (2)

HIBOR review

- HKAB supported TMA' proposals with further recommendations:
 - Annual instead of biennial review of panel
 - Consider the need to ensure participation by reference banks
- HKMA accepted the package of proposals
- IOSCO's consultation paper:
 - Need for further supervisory measures



Other issues (2)

Issuance of Statutory Guideline

- To issue Industry Code of Conduct as Guideline under BO
- Non-compliance: call into question fitness and propriety of relevant persons

Appointment of Managers

- To explicitly specify that Managers have responsibilities for HIBOR submission (Treasury; Risk control; and Compliance)

Mandatory contributions

- To encourage voluntary contributions but prepared to exercise powers under BO to mandate contributions if necessary



~ Thank You ~